

CHANGING FACE OF EUROPE: THE PROJECTED IMPACT ON EUROPE'S "CORE" AND "PERIPHERY" OF CHINESE FDI INTO THE CEEC REGION

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ABSTRACT

Chinese Foreign Direct Investment (FDI) is earmarked continuously for Central and Eastern European Countries (CEEC), culminating thusfar with China's announced plan to enlarge the deep water cargo port in Piraeus, near Athens, Greece, currently owned by the Chinese Overseas Shipping Corporation (COSCO), as the "dragon head" of its "One Belt, One Road" ("OBOR") infrastructure initiative. This investment alone stands to alter the architecture of the European Community as well as its relations with "neighbourhood" nations. With the United Kingdom having decided to leave the European Union ("Brexit"), prosperity along Europe's Western "periphery" is likely to decline. With Euro 50 Billion earmarked to enlarge deep water cargo port facilities in Greece at Piraeus, near Athens, Europe's Eastern "periphery" will grow in prosperity. So will the economies of other nations in the CEEC, as Asia-produced goods enter Europe at Piraeus instead of in Gibraltar, Rotterdam or Hamburg, and then are distributed by highway or railway Westward into the European "core" that it is likely to shift Eastward. Much of the freight unloaded at Piraeus is cargo that is currently being or has been recently unloaded in British Gibraltar, Netherlands or Germany, making fortunes in those countries decline. Research questions include: What posture will be powerful Western European countries adopt in the face of this changing reality? As Europe's "core" moves Eastward largely into Hungary and Poland, what impact will that exert on CEEC? As the "European Neighbourhood" witnesses this change, what adjustments, if any, will be made in relations between or among European Union Member States and each other, including Western Europe and CEEC, as well as between or among the European Community or its Member States and its or their neighbours, particularly those across Eurasia?

KEYWORDS: CEEC, Chinese FDI, Distribution Crisis, Eurasia, European Neighbourhood & OBOR

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INTRODUCTION

Europe's "face" is changing, including its economic and political architecture and landscape, as Europe's "Core" moves Eastward into an area that, until recently, was considered to be Europe's "periphery." Multiple driving forces have propelled this shift, including the impending "Brexit" or withdrawal of the United Kingdom from the European Community, thereby moving Europe's Western perimeter Eastward; plus Germany's veto of Turkey's customs union update (Stein, 2018, 5; European Council, 2018; European Parliament, 2017), together with a rising domestic prosperity of CEEC states including Hungary and Poland particularly but also Estonia as a leading digital economy (Gaskell, 2017). In Poland, Łódź welcomes regular freight trains from Sichuan's capital city, Chengdu, enroute Westward to London or other European cities, returning to China with

European products, reflecting the overland component of China's OBOR (Feature, 2017). Greece stands to become the paramount leader of the Eastward movement of Europe by encouraging Chinese Foreign Direct Investment (FDI) into its expanding deep water port at Piraeus (Jones, 2015), designated to be the "dragon's head" of China's maritime OBOR component (Horowitz & Alderman, 2017). Assessed collectively, changes in the economic architecture of Europe will be bound to catalyse political changes within and outside of Europe, already have been forecasted to affect America's "pivot" to Asia both positively and negatively (Jones & Liu, 2018), each qualitative perspective being different when viewed from a Chinese lens instead of a Western perspective (Jones, 2017a, 2017b).

Chinese willingness to enter the European marketplace with its own direct presence may be viewed either positively or negatively as well. From a European protectionist lens, Chinese entry through OBOR is an emerging competition interpreted with extreme skepticism bearing negative overtones that range from an outright allegation that China is attempting to "divide and rule" Europe, to a less blatant, but equally contentious "sinister" inference that China may have "toned down" its involvement with the "16 + 1" states of Europe because of its plan "to deepen divisions" already evident inside of Europe (Weidenfeld & Poggetti, 2018). Both arguments have emerged recently from Berlin, Germany. They say about the same thing, and they appear to reflect the predominant emerging Western European outlook. Akin to tri-focal eyeglasses, this perspective seems to place China in a tiny central square with Western Europe on one side and CEEC on the other side thereof. In considering the arguments advanced from this perspective, one must be careful to avoid demonising China by confusing association with causation. To understand that divisions have affected both Eastern and Western Europe, it is necessary only to recall the recent struggle that has befallen Greece as Western European financial institutions resolved to squeeze it by loaning Europe's "periphery" countries including Ireland and Portugal in Western Europe, Greece and Cyprus in Eastern Europe, more money than they could hope to service, much less to repay, anytime soon (Archick, 2017, 5, 9-10). That is changing drastically as to Central and Eastern Europe, with the rise of Greece's port at Piraeus together with the prosperity it brings to both Greece and the CEEC region.

With all that said, European nations have come together to form a "culture of readiness" through the North Atlantic Treaty Organisation (NATO) aimed at strengthening Europe's Eastern borders against a potential Russian Federation invasion (Woody, 2018), as Figure 1 below reveals in detail. On 07 June 2018, NATO secretary general Jens Stoltenberg said, referencing NATO, that "We are adapting the NATO command structure, the military backbone of our alliance... to ensure we have the right forces in the right places at the right time. These headquarters will be essential for alliance reinforcements across the Atlantic and across Europe" (Woody, 2018). CEEC bloc nations on Europe's Eastern periphery together with Norway along its Western edge seek to buttress their defences militarily. It would be valuable if Europe would come together to support the Chinese infusion of capital into CEEC economies that could be molded into a parallel peaceful plan to deter Russian aggression, augment Chinese cooperation across land routes that connect Western China with Eastern then Central Europe through Eurasia as well as along waterways, particularly ocean routes West of the Suez Canal. As Turkey draws nearer to Russian Federation interests on the Black Sea, it becomes all the more imperative to China and Europe that they both cooperate economically across the OBOR overland and maritime routes. Sino-European cooperation facilitates rather than hinders NATO objectives, at least facially, because "[t]he goal is to effectively build up locations closer to Eastern Europe to support 'strike, superiority, surveillance, command and control and [air]lift', according to Gen. Tod Wolters, commander of U.S. Air Forces Europe-Africa (Pawlyk, 2018).



Source: Woody, Christopher. 2018. "NATO has put forces in Eastern Europe to counter Russia — here's where its battle groups are located," *Business Insider*. 13 Jun.

<http://www.businessinsider.com/nato-multinational-battle-groups-in-eastern-europe-to-counter-russia-2018-6?IR=T>

Figure 1: Europe's Multinational Battle Groups Deployed Along its Eastern Border

Although China's Eurasian OBOR is likely to solve some problems, as it stands to enrich the Greek economy with its expanded deep water port at Piraeus, it will exacerbate other problems, such as the traditional relationship between or among the Russian Federation and its 14 sister states that once were provinces of the former Soviet Union: Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldavia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan, as well as more recently formed international relations between or among each of the former and China itself, India, Pakistan, Myanmar (Burma). With China's Eurasian OBOR extending across five land corridors, it includes:

- The "New Eurasian Land Bridge" that extends from Sichuan in Western China across Kazakhstan, Russian Federation, Belarus, Poland and Germany.
- The "China–Mongolia–Russia Corridor" that is planned to extend from Northern China to Eastern Russia.
- The "China–Central Asia–West Asia Corridor" that is earmarked to extend from Western China to Turkey.
- The "China–Pakistan Economic Corridor" that is projected to traverse part of disputed Kashmir over the objections of India (Ramasamy, Yeung, Utoktham, Duval, 2017).
- The "Bangladesh–China–India–Myanmar (BCIM) Economic Corridor" expected to extend from Southern China to Myanmar, classified officially as "closely related to the Belt and Road Initiative" ("Full Text", 2015).

In addition, a sixth OBOR land component exists in the developmental stage, known as the "China–Indochina Peninsula Economic Corridor," designed to extend from Southeastern China to Singapore, excluded here because its overland OBOR component does not interface directly with Europe (Laidler, 2015). It may become the loading zone for maritime cargo that eventually will arrive at Piraeus or another European seaport, however, as China is investing nine times as much (USD 20 Billion) into Europe as in North America (USD 2.5 Billion) currently (Turak, 2018).

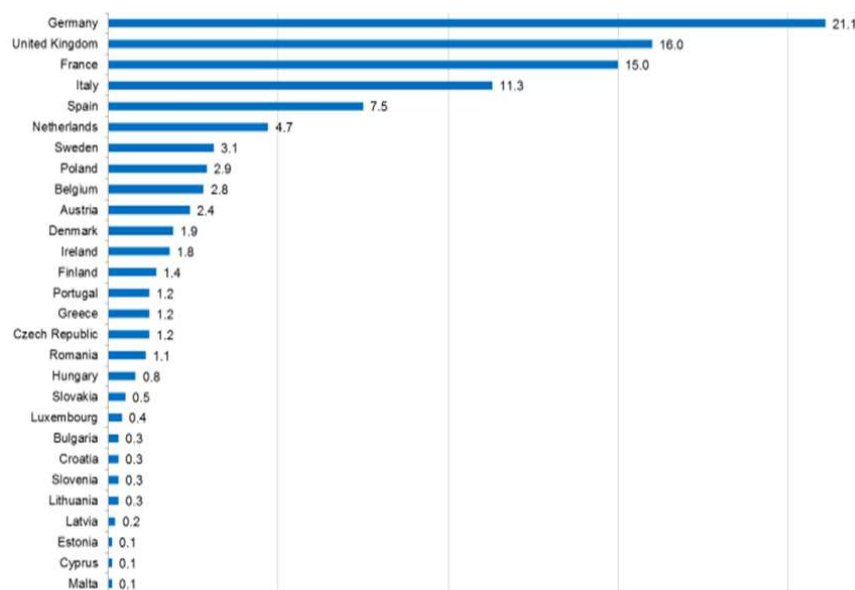
To be clear, we must not allow ourselves to confuse association with causation. Vast changes are in store for many Asian and European countries in general, with young and dynamic economies on the rise, tired older economies in

decline. Sometimes, not always, the changes inter-relate. Is this scenario part of the Russian Federation's strong objection to NATO reinforcements planned for Eastern and Northern Europe, as some have argued (Stein, 2018)? Is the Russian Federation fearful of an encirclement by NATO to the West and China to its Southern perimeter, or of both together? This has been suggested with some supporting evidence (Jones, 2015a, 2015b).

Europe has long been bifurcated into an affluent "core" and economically tottering "periphery", both of which are changing continuously. Part of the difference between Europe's core countries and those of its periphery has been debt. As historian and political scientist Eric Toussaint noted as a spokesperson for the Committee for the Abolition of Illegitimate Debt (CADTM), Austria, France and Germany borrow at two percent, then lend at 5.2 percent profiteering at the expense of Europe's periphery nations (Toussaint, 2011), particularly CEEC. This is currently changing, with products from Asia already arriving by rail at Łódź, Poland, and by ship at Piraeus, Greece. Over the last quarter of the 20th century and first decade and a half of the 21st century, Europe's core has been France, Germany, Italy, United Kingdom and Belgium, Netherlands, Luxembourg (formerly "Benelux" countries), but this is changing. With the United Kingdom planning to break away from the European Community (known as "Brexit"), and the Greek port at Piraeus diverting from Amsterdam, Rotterdam and Hamburg up to USD One Trillion or more in products arriving from Asia, the centre of Europe is moving Eastward economically as its core slides toward Poland. This is part of an ongoing occurrence that may be characterised as "Moving Europe East" (Jones, 2017a, 2017b).

Chinese investment in Central and Eastern Europe already tends to support Onaran's hypothesis that the European "crisis" is one of distribution of wealth instead of a fiscal crisis (Onaran, 2010), because with a shift in the distribution of products arriving from Asia away from Western Europe and toward Eastern Europe has emerged a change in the distribution European of wealth: Eastern Europe is becoming wealthier, Western Europe stands to become poorer. This trend is emerging in Europe as a similar trend is occurring in Asia: many Asian economies are falling, although the economy of China itself (especially Hong Kong) plus countries on China's Eurasian OBOR including Bangladesh, India, Pakistan, Myanmar (Burma), has been rising (Clague, 2018, 5, 13, 19, 34).

Changes are on the horizon for the European Union's Gross Domestic Product (GDP) also. Currently, Germany accounts for 21.1 percent of its GDP, followed by the United Kingdom at 16 percent, France at 15 percent, and Spain at 11.3 percent as Figure 2 below reflects. Only four Member States have double digit percentages, with Germany and France make up 37.1 percent of Europe's GDP, with Germany, United Kingdom and France makes up more than half, or 52.1 percent. With the "Brexit," 16 percent of the current GDP leaves. As China's OBOR reroutes many products arriving in Europe from Asia, Germany's share of European Community



Source: Eurostat. 2017. "Share of Member States in EU GDP." 04 Oct.
<http://ec.europa.eu/eurostat/web/products-eurostat-news/-/DDN-20170410-1>

Figure 2: Share in European Union (EU) Gross Domestic Product (GDP) Total, 2016 (Percentage (%) based on Euro Million at current prices, by EU Member State)

GDP will decline as the shares of other nations along the coastline of Western Europe, with shares of CEEC bloc nations advancing. Danger abounds, of course, the greatest risk probably being debt incurred by China itself most definitely, but also by the European countries that rely upon products transported across OBOR by rail or ship (Liu & Jones, 2018).

Very clearly, Europe's economy has been skewed in favour of key Western European countries that have dominated agriculture and manufacturing as well as imports and exports of their own products as well as of products purchased by (imported by) or sold by (exported by) neighbours in the CEEC bloc. An interface of the "Brexit" coupled with the impact of China's Eurasian OBOR is changing all that, to the economic detriment of Western Europe and the economic benefit of CEEC. As their respective economies change, so also are comparative political clout and social interactions, with some countries that once were considered to be Europe's "core" rapidly taking on characteristics of its "periphery", whilst some countries that once were deemed to be Europe's "periphery" taking on characteristics of its traditional "core". As but one example, albeit arguably a primary example, Greece should no longer need to be concerned about servicing unreasonably high debt hurled upon it by some Western European governments as well as international organisations, this reason being on account of the Chinese enlargement of its Piraeus port to support an annual influx of USD One Trillion in products arriving from Asia. CEEC bloc countries generally, from Albania and Bulgaria to Hungary and Poland, will be distributing goods arriving from Asia by ship at Piraeus and by rail at Łódź, Poland, collecting value added taxation thereon. What is more, presumptively much more, CEEC bloc enterprises will become attractive for manufacturing and assembly operations chiefly because of their proximity to the goods arriving from Asia across China's OBOR. With opportunity comes risk in almost any equation.

Across Eurasia along OBOR, debt is rising, as Figure 3 below documents. This is true because much of OBOR has been constructed by debt rather than with equity. Frequently, the lending party is China itself or a Chinese-controlled bank, with the debtor being a country through which

Table 1: European Union GDP and Main Components (Output, Expenditure and Income), 2018 Percentage of EU28 Total (based on Million Euro), current Prices

Unit	% of EU 28	Current Prices Million Euro
European Union	100	15,330,010.9
Euro Area (19 Countries)	72.9	11,171,870.0
Belgium	2.9	437,204.1
Bulgaria	0.3(p)	50,430.1(p)
Czech Republic	1.3	192,016.6
Denmark	1.9	288,980.9
Germany	21.3	3,263,350.0
Estonia	0.2	23,002.3
Ireland	1.9	296,151.8
Greece	1.2(p)	177,735.3(p)
Spain	7.6(p)	1,163,662.0(p)
France	14.9(p)	2,291,705.0(p)
Croatia	0.3	48,989.5
Italy	11.2	1,716,934.7
Cyprus	0.1(p)	19,213.8(p)
Latvia	0.2	26,856.6
Lithuania	0.3	41,857.0
Luxembourg	0.4	55,377.8
Hungary	0.8	123,494.6
Malta	0.1	11,126.0
Netherlands	4.8(p)	737,048.0(p)
Austria	2.4	369,685.9
Poland	3.0	465,604.9
Portugal	11.3(e)	193,072.0(e)
Romania	1.2(p)	187,868.3(p)
Slovenia	0.3	43,278.1
Slovakia	0.6	84,985.2
Finland	1.5	223,522.0
Sweden	3.1	477,383.0
United Kingdom	15.2	2,327,729.9

Source: Eurostat, "EU GDP and Main Components." 29 June 2018.
<http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

OBOR passes, most frequently by highway or railway, or alternatively a company situated therein with state guaranties. Sometimes, China extends "Official Development Assistance" (ODA) to go alongside debt, as it did recently with The Philippines, prompting some economists to forecast that even USD 452 Billion of debt reaching a debt-to-GDP-Ratio of 197 percent is manageable "as long as the country's growth performance exceeds its debt obligations" (Katigbak, 2018, 5), a very risky presumption on the part of developing countries. Crucial to the success of OBOR will be conversion of debt into equity, although in practice that means that countries outside of OBOR need to get involved, or at least companies from such countries need to invest along OBOR. United States interests as well as those from Europe and elsewhere would make excellent partners with China and states located along OBOR, by infusing equity to reduce debt. It must be remembered that the stated objective of OBOR is to augment East-West trade, so with this new infrastructure in the form of highways and railways plus shipping ports should emerge new opportunity for manufacturing in the CEEC region, with that new opportunity for European exports to China and the rest of Asia. In turn, state of the art manufacturing facilities

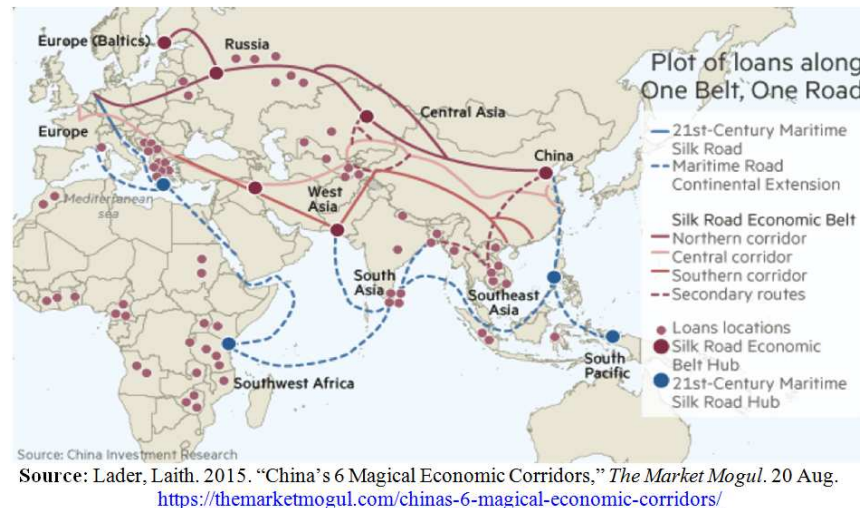


Figure 3: Debt Contracted to Support China's OBOR

CEEC should attract FDI from the United States and investors around the world. Another comparison is the relative willingness or recalcitrance of European countries to meet or exceed

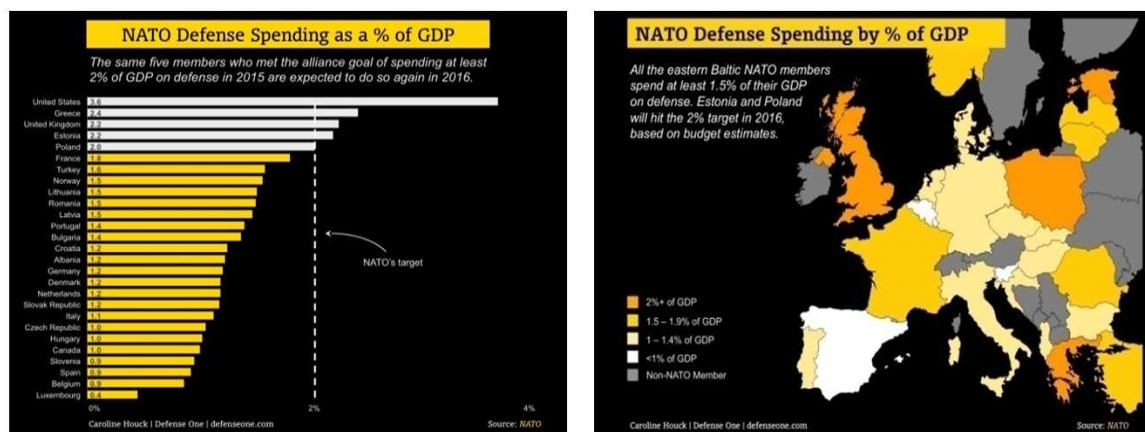


Figure 4(a): NATO Defence Spending as a Percentage of Gross Domestic Product

Figure 4(b). NATO Defence Spending as a Percentage of GDP, by Location within Europe

NATO expectations on funding of two percent (2%) GDP, as Figure 4(a) and Figure 4(b) reflect. That willingness is moving Eastward, and with "Brexit" that willingness will be primarily in Eastern Europe. Presumptively, that will mean that instead of the West defends the East in Europe, the East will be expected to defend the West. Only five of NATO alliance members meet their financial obligations to NATO, although Latvia and Lithuania have pledged to do so during 2018 (Bremmer, 2017), further obviating the role Eastern Europe is stepping up to the plate to perform in the future. Europe does seem to display a lack of cohesive leadership or strategic vision (Archick, 2017, 6). With victory does and should come an entitlement to divide the "spoils" in both war and peace, meaning in the present context a legitimate expectation by the CEEC bloc to hold control of European politics plus defence proportional to their rising economic contributions (Pawlyk, 2018). Also, as CEEC economic contributions rise, the CEEC bloc should become even more attractive to FDI from the world, including China, the United States, other countries. In turn, this should mean that China's OBOR will function not as an end unto itself but as a driving force for attracting further global investors from

far and wide into Central and Eastern Europe. In July 2018, President Donald J. Trump told the NATO summit all members of this Alliance should double their defence spending to four percent of their respective GDPs in response to forecasts that by 2024 only half of the current 29 member Alliance will have reached two percent (Lemire & Colvin, 2018), and Poland's President Andrej Duda remarked that Trump's scolding of NATO was good for CEEC bloc interests (Gera, 2018).

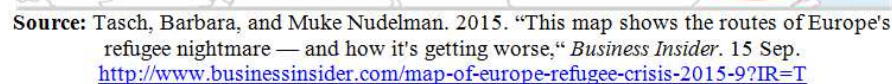
Alternative Theories

Various theoretical approaches compete when addressing the foreign policies of China and the European Union, particularly toward each other, and sometimes these approaches overlap to an extent. An example is what is called an institutional approach, characterised by a structure of governmental institutions and the politicians elected or appointed thereto (Kitschelt, 1986) that collectively allocate resources, impose regulations (O'Brennan, 2006, 100). In the context of Sino-European relations, "Brussels mafia" as they are known, urge caution toward the emerging presence of China in the CEEC bloc region, if for little to no reason besides the fact that recent Chinese investment is stronger in CEEC than in Western Europe, to their chagrin and that of their constituents who live in Germany and West thereof (Sedelmeier & Wallace, 2000, 433).

Another example, rather constructivist, argues the policies of one country or one alliance of states such as the European Union holds a moral high ground in terms of democratic core values, human rights "as a kind of political messiah [destined to] bring salvation to areas of the world where human rights and democratic norms are nothing but chimerical goals that have yet to materialize" (Regilme, 2011, 15) that entitle it to craft normative power over other countries and/or their neighbours, such as over China or Association of Southeast Asia Nations (ASEAN) bloc, China's neighbours (Regilme, 2013). Seemingly in contrast but really in a similar vein, China endeavours to lift developing countries out of poverty by raising socio-economic living conditions in countries such as Bangladesh and Indonesia through efforts of China's subsidized Asia Infrastructure Investment Bank (AIIB, 2017), seeded with Chinese investment after which China sought a multiplier effect with loans from or co-funding provided by the World Bank, financed heavily by the United States (World Bank, 2016). For this, some have advanced a rational actors approach (Braun, 2014, 14), interfacing reason with normative expectations.

Another example is economic pragmatism, similar to but distinct from political pragmatism known as "*Realpolitik*", whereby Europe courts Chinese FDI to benefit European businesses as Europe endeavours to "pursue good political relations with the Chinese in order to obtain commercial advantages for their national companies" and "avoid the burden of... confronting Beijing openly on matters of principles and values (Casarini, 2009, 264). Said simply, according to this viewpoint Europe tolerates the Chinese for financial considerations only, all the while decrying what many Europeans view as being China's negative human rights track record at home and abroad. As Europe "moves Eastward," it will need to consider what will be the role of consumption, private sector business investment, and local government expenditures as driving forces of this changing economic activity. Questions important to be considered will be how local investments will be financed (by debt or equity), profit mark-ups, wage rates, taxation that when aggregated reflect what has become known as "Heterodox Microeconomic Theory" (Lee, 2018). Four factors converge across the CEEC bloc region that are significant to Heterodox Microeconomic Theory: history, natural systems, power, uncertainty (Mearman, 2011).

Another aspect reflecting the changing face of Europe is “chain migration” involving entire families, even entire communities, uprooted from their homelands on account of the civil wars, natural disasters, economic collapse, political reprisal. Europe accepts as a “core pillar” of its community the free movement of capital, goods, services, and workers across domestic borders.



is, mean free access to the comforts of Europe for anyone,

Some have contended Europe is a primary example of how not to welcome refugees (Delman, 2016). That is harsh, because it is incumbent upon each Member State to determine for itself who has been vetted to the point of being welcome to enter its territory. To a limited extent, the problem has become a problem of “criminalization” (Kosińska, 2017), because endeavouring to protect one’s family and self is not a criminal act in itself. Refugees have become “the political problem of our time” in Europe at least, as former United Kingdom foreign secretary David Miliband observed (2017), but response to this problem by Europe’s institutions has caused “disillusionment” as Poland’s President Andrzej Duda remarked (“Poland’s president”, 2018) also. European newcomers have changed the face of Western Europe already.

Central and Eastern European countries continue to resist this change, at least for the present moment in time. Part of the dichotomy over migration is a function of the changing face of Europe itself: location of migration routes, as Figure 6 above reflects. It shows the route the 21st century “refugee crisis” has taken across Europe (Kingsley, 2017), a path that has hit some European countries and regions harder than others, ostensibly predicated upon multiple factors that include whether “chain” migrants consider a given country or region to be attractive to their settlement, but also that include the concrete steps each given country has taken to properly “vet” or identify detailed background characteristics of each arriving immigrant as well as to craft a proper plan for their integration into European society in the event they are allowed to stay. That said, properly vetted newcomers to Europe from any country or region can provide a new labour force capable of enlarging manufacturing within the European Community, important because it may reduce the dependency of Europe upon foreign including Asian manufacturing. Some new manufacturing centres across Europe, particularly Central and Eastern Europe, may be the result of Chinese FDI. Or they are not, as Southeast Asians have lost some keenness toward their OBOR version, marked by a 36 percent decline in construction commitments (Mukherjee, 2018).

Political Changes

Europe as a community is governed largely according to weighted voting, meaning Member States with larger populations dominate governance. Over the past 60 year period, this factor has benefitted Western European countries. In the future drawing near, all that may change, because as Central and Eastern European regions become more prosperous economically, they will draw increasing populations. Europe is experiencing a change of face economically, politically, and culturally as the second decade of the 21st century closes. Already, this has translated into the shape of political parties and coalitions in Brussels, the capital of the European Community, especially within the European Parliament (De Marcilly&Frigot, 2017). In the not too distant future, it is likely to change the number of seats many European Union Member States will hold therein. Parliament will shrink from 751 to 705 seats once the United Kingdom leaves the European Community (Usherwood, 2018), scheduled for 2019, so how will these vacant seats be reapportioned? Two new countries that may join the European Union in the future, or to current Member States as population shifts forecasted shrink Western Europe, enlarge Central and Eastern Europe? Chinese FDI concentrated within or nearby to CEEC bloc Member States will be likely to enhance their voting shares in the European Parliament at the expense of Western European shares. This fact alone forecasts the importance of China’s OBOR in Europe generally, particularly in Central and Eastern Europe (Jones & Liu, 2017).

Further systematic empirical research is required to properly assess the actual impact Chinese FDI along the Eurasian OBOR routes will exert within participating countries across West Asia as well as at the “Dragon’s Head” from the shipping port at Piraeus, Greece, to the railroad hub at Łódź, Poland to various destinations across Central and Eastern Europe that include but are not limited to Budapest, Prague, Tirana and Tallinn. Is it accurate, as has been forecasted, that Europe is “Establishing Two Speeds ... consisting of a strongly integrated group of ‘core’ countries and a group of ‘periphery’ countries more free to pick and choose those EU policies in which they wish to participate” (Archick, 2017, 18)? Considerable research is required to assess the prospects of products being transported across OBOR by rail and ship from Europe to Asia. Much publicity has accompanied the design and implementation of China’s OBOR as cargo goes Westward to Europe. Considerably less information has been generated concerning details of the cargo that must be transported aboard both railway cars and maritime shipping containers as vehicles and vessels make their return trip to

Asia.

Strategies to Avoid "Deadheading"

Currently, trade between the European Community and China amounts Euro 372 Billion from China to Europe, Euro 197 Billion from Europe to China ("China-EU", 2018), yet at least through 2015 three-fourths of railroad freight cars that had come from China to Europe returned to China empty, one reason being that although rail can cut the travel time in half when compared to maritime shipping between Asia and Europe, cost structure of rail is between two to five times higher than that of ocean carriage, so that more than 90 percent (in some cases, 99 percent) of goods shipped between Asia and Europe travel by sea (Hillman, 2016). In addition, of 200 trains that ran from China to Europe in 2014, only 22 returned to China with cargo, although that rose to 50 in 2015, the fault being that each month fewer than 10 containers was shipped by rail back to China (SDDigest, 2015). Of containers shipped back, many were empty or only Partial Load Containers (PLCs). As China grows internationally, its domestic population should want to purchase more products from Europe and more frequently, creating an increased demand for filled freight containers to be shipped by rail from Europe to China.

Nevertheless, much depends upon the nature of the goods shipped: rail cuts the time from 31 days by ship to 11 days by train, but this is irrelevant if the product is not perishable or if in the end its profit margin will be miniscule. Rather clearly, it is up to both China and its European partners to inspire European producers to ship more products back to China by both rail and ship, and this requires European sales teams to motivate Chinese consumers to purchase more European products. Obviously, for this to work soon or well at any time, tariffs must be kept low, eliminated entirely whenever possible. Empirical studies are required to determine exactly what European-made products will be popular in Asia generally, particularly China, across the next decade so that the volume of goods entering Europe from Asia by rail will be followed by a like volume of goods returning to Asia from Europe also by rail.

An answer, undoubtedly only one among many other proposals, is cross-border e-commerce (CBEC), where the Chinese consumer becomes able to purchase foreign, particularly European, products from brick and mortar locations inside of China itself ("Chinese Cross-Border Retail", 2016). In order for Chinese brick and mortar stores to have European products on hand to sell, they would have to import them from Europe periodically, helping to alleviate deadheading. An initial obstacle is Chinese regulations, that treat CBEC as individual rather than corporate buying, thereby requiring individual customers to complete lengthy custom applications. In order for its OBOR to work, China and Europe must cooperate more closely to reduce bureaucratic obstacles. Land and sea routes alike traverse long distances, encounter multiple and sequential challenges. To be effective and efficient, trade volume has to be optimised. This means, in a practical sense, that products shipped in each direction, both East and West, must be in comparable volume more or less continuously across seasons.

Is China's Eurasian OBOR a "masterstroke" for China, as has been contended even by potential adversaries in India, China's competitor, highlighting facts such as that the Eurasian OBOR will cover 40 to 60 countries, impact 65 percent of the world's population, generate 30 percent of global GDP, improve China's international position both economically and strategically in the face of a slowing Chinese domestic economy, and receive the benefits of high-speed fibre optic cables and energy pipelines (Sahoo, 2015)? That remains to be seen, investigated by rigorous analysis. Is the overland component, whether by highway, railway, or both in tandem, of equal value with the maritime component? Overland is shorter and, primarily for that reason faster, but more expensive, subject to greater security risk and political

turmoil that can destabilise it at many points along an extensive corridor. On the plus side, as Sahoo observed: “Large investment will be made across infrastructure sectors which, in turn, will raise the demand for products such as steel and cement. Some of the sectors related to construction, petrochemicals, high-speed railways and wagons, telecommunications, etc, will see increased demand as well (*Ibid.*).



Source: Port of Rotterdam Authority, N.V. 2018. “East and West Better Connected Than Ever,” *Portofrotterdam.com*.
<https://www.portofrotterdam.com/en/asia/east-and-west-better-connected-than-ever>

Figure 6: Land and Sea Routes Compared: Asia to Europe

At the present moment, OBOR appears to be much more Chinese than global, and that must turn. European as well as Western hemispheric nations need to invest in OBOR to make it less-Chinese, more global, and especially to render OBOR more stable by expressing confidence in it. To date, on the contrary, European leaders have remained skeptical, although to be sure they have kept much of this recalcitrance silent. Clingendael, the Netherlands Institute of International Relations, has adopted the posture that China’s COSCO and its expansion of the Greek port at Piraeus will siphon cargo flow from Asia to CEEC away from the Dutch port at Rotterdam, evidenced by what occurred when Hewlett-Packard diverted its cargo from Rotterdam to Piraeus in 2013 (Van der Putten, 2014, 16). Some analysts explain this as a form of xenophobia, with European Parliament members fearing OBOR will make Europe or Europeans or both subservient to Chinese economic, political or other interests (Chadhury, 2017). European citizens, especially European citizens from CEEC, need to confront their elected representatives, to argue that OBOR will benefit them, that they count as much as do Western European residents. As far back as 2015, the focus was on OBOR impacting CEEC countries in three respects: “EU-China 2020 Strategic Agenda for Cooperation [said] there were stakes for the EU in at least three areas: trade and investment, peace and security, and people-to-people exchange” (Yan, 2015). As evidence of China’s intent to maintain peace and security along OBOR, it is augmenting the strength of its PLA Marine Corps from 20,000 to 100,000 personnel, making that branch of its armed services second largest in the world after the United States with 242,675, plus increasing its PLA Navy by 15 percent from 235,000 to 270,000 personnel, with proportional reductions in its land forces to compensate for these increases (Wang, 2018).

European leadership has to understand that China is changing as it develops, thrusting its rapidly rising middle class into the global consumption market. Between 2005 and 2011, McKinsey researchers surveyed more than 60,000 Chinese consumers in over 60 cities in their effort to accurately forecast Chinese consumer habits by 2020, now one and one half years away, investigating their attitudes and spending habits related to more than 60 product types and over 300

brands (Atsmon, Magni, Li, Liao, 2012, 7, n.1). What they learned confirms our expectation that Chinese consumers will form a demand for European products among goods and services from other foreign countries. McKinsey researchers studied urban Chinese spending habits, focusing attention on disposable income and discretionary spending, especially among females (*Ibid*, 18-19) who are becoming increasingly independent in exercising spending preferences (*Ibid.*, 21). Turning to luxury products alone, leading forecasters concluded auspiciously that the "European luxury goods market holds the most dominant share and is trailed by North America. Europe is predicted to maintain its superiority all through the forecast period" (Transparency Market Research, 2014). This means that movement of luxury products from Europe to the world including to Asia is considered to be burgeoning. With so many empty freight containers making the return trip to China across OBOR, rates are low and have been forecasted to remain low in the foreseeable future: according to DHL, owned by Deutsche Post, more attention should be focused on using OBOR to ship goods to Asian countries besides China, from Japan to the ASEAN bloc (Ward, 2017). OBOR infrastructure is under-utilised going East as containers return to Asia. This creates an opportunity to ship European goods to Asia less expensively, in the form of a positive externality. An example of a negative externality, on the contrary, is debt: domestically, China's own biggest financial challenge is corporate debt is twice as high as America's, constituting 160.3% of GDP, compared to 73.5% in the United States, as former United States Federal Deposit Insurance Corporation Chair Sheila Blair has highlighted, observing that much of China's corporate debt is held by its state-owned enterprises (SOEs) (2018). OBOR appears to be adding to that debt. Although China appears to be endeavouring to reduce its own domestic corporate debt (*Ibid.*), it may be encouraging OBOR host countries to increase their public and private corporate debt, a factor that requires careful surveillance. Rising European debt has been red-flagged also by the European Central Bank (2018, 6).

An experimental alternative would be to redirect freight containers that are empty at Łódź, Poland, then instead of "deadheading" them back to Asia, load them then send them Westward to the Western Hemisphere by ship at Piraeus, Greece, eventually returning them to Asia filled with products from North America or Latin America. This also requires research to determine current plus projected future demand in America and Europe. Locomotive engines have to return to Asia, of course, so as long as there is a European market for Asian products, there will be movement on OBOR between Asia and Europe, and a relatively low-cost opportunity for European goods to be transported Eastward from Europe to Asia. Most maritime shipment from Asia to Europe, arrives in Rotterdam, Netherlands, Antwerp, Belgium, Hamburg or Bremerhaven, Germany, Le Havre, France, or Felixstowe, England, or has done so traditionally before expansion of Piraeus, as Figure 8 depicts ("China-Europe Freight Shipping", 2018). Time is the problem: freight transported by ship from Asia to Europe requires about one month, more than twice what it takes to transport the same cargo overland by highway or railway, although at about half that cost structure. China's infusion of FDI into the Greek port at Piraeus alone has cut this time substantially, its rail shipments to Łódź, Poland, has cut this time even more.

Core to an assessment of these changes is whether they are sustainable: each OBOR route is a two-way street, it has to be, and depends on European products being shipped to Asia to render the overland component of OBOR to be cost effective. With sufficient volume, lacking presently, it will be, but without that volume it will not be. Conspicuously absent from Figure 7 is cargo that is and will be arriving at the Greek port of Piraeus, as well as from what other European ports this cargo will be diverted. Part of the answer to this question will be dependent upon what will become of cargo arriving at Piraeus from Asia: will that cargo be transported into Europe over the planned railway being designed to connect Piraeus with Beograd and Budapest is built? (Marácz, 2017). Shipping time between Chinese ports and Piraeus is about half that between the same Asian ports and Western Europe, reducing time in transit from 40 to 20 days, saving approximately 20

days. Additional shipping time is saved when products offloaded at Piraeus are shipped by highway or railway to final destinations in the CEEC region. The interface between the European Union and the Eurasian Economic Union (EAEU) stands to be a blessing or a curse, or perhaps both. Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia were members in 2014, with China, India and Iran desiring to join (Devonshire-Ellis, 2017), all located along OBOR.

Table 2: Time Estimates for Maritime Cargo Shipping, Asia to Europe, By Port

	Le Havre	Felixstowe	Antwerp	Rotterdam	Bremerhaven	Hamburg
Dalian	34	34	41	32	36	34
Tianjin	33	35	41	33	37	37
Qingdao	28	30	39	31	31	29
Shanghai	26	26	32	27	28	30
Ningbo	32	26	30	28	30	28
Xiamen	26	30	29	28	26	27
Guangzhou	26	29	28	26	29	28
Shenzhen	22	22	26	22	24	24

Source: “China-Europe Freight Shipping Solutions,” *Cargo from China (CFC)*. 2018.

<https://cargofromchina.com/china-europe/>

CONCLUSIONS

Europe is experiencing a change of face economically, politically, and culturally as the second decade of the 21st century closes. Already, this has translated into the shape of political parties and coalitions in Brussels, the capital of the European Community, especially within the European Parliament (De Marcilly&Frigot, 2017). In the not too distant future, it is likely to change the number of seats many European Union Member States will hold therein. Parliament will shrink from 751 to 705 seats once the United Kingdom leaves the European Community, scheduled for 2019, so how will these vacant seats be reapportioned? Two new countries that may join the European Union in the future, or to current Member States as population shifts forecasted shrink Western Europe and enlarge Central and Eastern Europe? Western Europe is inundated by the arrival of “chain” migrants from Afghanistan and Pakistan through Syria and Turkey, on the one hand, then from Sub-Saharan Africa through Northern Africa then into Italy and Spain on the other hand. Central and Eastern Europe has steadied the course of “chain” migration, rejecting many undocumented migrants, whether morally correct or otherwise, and stands to benefit enormously from Chinese FDI across Eurasia to CEEC on OBOR, by overland railway or maritime shipping.

So Europe is divided, and this division will widen and intensify in the coming years before and after 2020. As Asian products arrive with increasing frequency and in escalating volume into the rail yards and seaports of Central and Eastern Europe, these products must be forwarded to their intended destinations. This means quite simply that trade volume will increase in the CEEC bloc and decrease in Western Europe, impacting the economy, migration trends, popular voting trends, weighted voting in the European Parliament plus a myriad of related as well as tangential factors that account for the changing face of Europe.

Without very much question, Europe’s changing face is confronted with both military options and neo-liberal trade alternatives, with the latter appearing to be preferable. As China has invited Western countries to join in its OBOR Initiative, they should do so, not only European countries but nations from a further distance such as the United States and other Western Hemispheric countries, nations from Africa and Oceania. OBOR presents a wonderful opportunity for capital investment and financial growth – for equity. Also, it presents a trap for a debt that countries must curtail, keep to a minimum, avoid altogether whenever possible. Participants across OBOR from China itself to Western Europe must take

care to avoid creation of an economic "bubble" that is prone to bursting. This risk is especially high along the EAEU portion of OBOR.

China's OBOR should be an advantage to both China itself and the European Community. This fact is dependent upon European companies becoming willing to ship their products to Asia over the OBOR routes in Full Load Containers (FLCs), by land and sea, because trade is and must continue to be a two way street. OBOR stands to be a cultural asset as well as an economic, military, and political asset to both China and the European Community. At the present moment, OBOR appears to be or to be rapidly becoming an economic asset to the CEEC bloc region. As the CEEC bloc gains greater political leverage as a result of its rising economic fortunes, and as the CEEC region attracts foreign partners to provide military protection and deterrence from both within and outside of Europe, this region should gain progressively greater comparative political clout in relation to Western Europe. Many countries within the CEEC bloc have avoided various forms of belligerence that have confronted some Western European countries whilst attracting and maintaining cultural diversity. This has been accomplished by conscientiously vetting people arriving from abroad, keeping "chain" migration to a manageable level in order to keep the CEEC region safe. Undoubtedly, this factor has made the CEEC region more attractive than Western Europe to Chinese FDI, and alongside of OBOR it can render the CEEC region attractive to FDI from the United States, United Kingdom, other Asian powerhouses.

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